

ALG Minutes 12/08/11

Present: Bart Wendell, facilitator; Mike Gowing, Pam Harting-Barat, BoS; John Petersen, Xuan Kong, SC; Doug Tindal, Pat Clifford, FC; Dore Hunter, MMT; Steve Ledoux, John Murray, Steve Mills and Don Aicardi, staff.

Audience: Kim McCosker, SC, Steve Noone, Clint Seward, FC; Allen Nitschelm, Richard Calandrella & Chas. Kadlec, AVG.

1. Minutes of 11/10/11 were accepted with one minor typo correction and the addition of OPEB, after Ch.69.

3. Update of FY 12 revenue

Steve M: In the past the schools have used the federal stimulus money to pay forward bills. This has worked and allowed the schools to return money to reserves. With the current trending of the budgets things will be much tighter and there will not be the \$4-500k so they will not be paying bills forward. Last week AB was \$300k to the good and APS a bit less.

Steve L: Take our information from the spreadsheet. Rep. Cory Atkins told him to expect a 10% cut in local aid. He has not heard this information from any other source.

Mike suggested people look at the report from the Mass Taxpayers Association

Bart: Any Comments?

John P asked if it was difficult to get into the budget hearings at the Gardner Auditorium (State House) He was told that they are usually packed & to get there early.

Pat C: Asked if the 10% number included school aid. No one knew.

4. Review of ALG spreadsheet –Don & John M

a. review of revenue & expense projections b. Reserve use discussion c. OPEB discussion d. Tax to the max discussion

Extra info: Town of Acton multi-year plan (ALG plan) & percentage change detail for municipal budget

Don explained that he & John M. have worked together on the plan. He started to delineate the changes from last meeting.

As requested: the reconciliation of the debt shift from APS to the town \$390k---was carried forward for FY 13, 14 & 15

The APS number is not hard---it will come for the Jan. sheet---estimate for level service will be @ \$150k which is a 4% increase

Acton's portion of AB has changed due to the changes in enrollment averages. The shift has lowered Boxboro's portion, Acton has to assume a \$300k increase. The APS numbers are in flux & are being "scrubbed"

Municipal---detail sheet: John M: a 3.5% increase; approximately \$600k for nursing service---\$200k for this year, \$400k for FY 13

Transportation enterprise fund: tax subsidy is going away cost will go from \$75k to \$246k; it all adds up to 5.75%---less than level service. Not included is the \$ 700k request for four patrol officers; capital bonding could ease the situation. The two big drivers are nursing service and transportation. Reserves will be \$200k higher for nursing service.

Don: Districts have opportunity for \$3M in Ed Jobs money. Reserves for APS/AB is \$19k higher

Page 3 Full tax to capacity---\$798k under

JM: DOR did not certify values---BOS vote on classification was not held

SL: The DOR has certified only 140 or the 350 towns

Pat will we try to capture the unused levy capacity?

JM The anticipation is to go to the full limit as well as unused capacity

Don (back to school revenues) We are showing an \$85k supplemental from lotteries--- do not count on it in FY 13. For Ch. 70 we are assuming that the Gov. will fully fund at the Foundation amount for APS/AB—inflation factor is important. Roger Hatch (DOE) confirmed that inflation will go from the 2.5% we are now using to 3.6%

Reserve page: Town Meeting votes were used; using anticipated free cash —also includes the \$200k for Nursing Service; beginning reserve position \$9.3M; use \$1.892M; replenishment \$813k---leaving \$8,220M

Took \$253k to return to Boxboro

Bart: any questions about reserve use? There were general kudos for the work done by Don & John M

Don asked about the need for a Minuteman Tech line & it was agreed to add one to the spreadsheet. The assessment for Acton is @ \$30k.

Pat: asked that the amount of the HIT reserve be indicated---as it acts as a subsidy for all budgets

b. Reserve Use

Xuan –APS is “comfortable with \$2M use of reserves rather than the \$1M suggested by the FC—there is a lot of catching up to do. OPEB is a big liability APS has no concrete position

JP: OPEB is on the agenda, I do hope the FC has finished their analysis, then we can figure out what needs to be done [take it back to boards]

Doug T.FC feels that the question of sustainability [of the budgets] needs part of our thought process as we prepare budgets for the next few years. We sometimes use the word “reserves” carelessly. After all it is an amalgam of free cash/E&D and more stable funds like NESWC. In the last few years we have reduced this fund from over \$5M to \$2.4M so it is ½ gone and not likely to be replenished again. In this sense our “reserves” are really more like a “slush fund” rather than monies consciously set aside for future needs. So, for budgeting purposes it is appropriate to ask how much money do we reliably have every year that we can call reserves? The FC thinks we need to slow down and deal with some of the big number problems, especially OPEB. How much is enough for OPEB--\$5m /year as the consultants suggest, or some lesser amount? Will the State [come to the rescue] and restructure the problem. Can we really in good conscience afford to take \$5m from an \$80m budget? The FC concluded that there are three possibilities 1. Do nothing 2. Pay it off at the full recommended amount or 3. Do something serious, but incremental. We believe that the first two possibilities would be wrong. The FC believes that we need to choose as “politically cognizable” number which is big enough to get everyone’s attention on the OPEB problem, but not so large as to really do any damage in this recession year. We chose \$500k knowing that while that \$500k is 1/10 of what the consultants say we need to begin to retire the debt, it is nonetheless large enough to be recognized as a first step. Our message is to slow down [in spending] & think about sustainability of the budgets---the real problems will come next year and in later years where we are already showing deficits in the \$4-\$6M range.

JP: question: use of reserves or net use of reserves—will the \$500k come from the \$1m?

DT: the whole is \$1.5m inclusive of OPEB.I don’t want to get down into picking out specific issues, there are some things the FC thinks are out of control like OPEB. Other items that are potential targets such as nursing, transportation, lower fields and the like, but it is our position that choosing which items need to be aggressively dealt with is a function of the boards and executives of the town and schools. We aren’t presuming to pick targets but rather just trying to set the overall limits to what is prudent spending.

Bart: Is the question \$2m or \$1.5m use of reserves?

There was a discussion about the level of reserve use.

****It was agreed that ALG members would discuss the levels with their boards as well as the OPEB liability. It was also agreed that somewhere OPEB should be added to the spreadsheet on its own back page and become an action item on future ALG agendas.

JP suggested that the Town follow Bob Evan's (of FC) suggestion & invest the money in accounts where there was a decent rate of return.

Pat. C said that trust funds were statutorily defined and they were limited to where the money could be placed

Steve L suggested that there might need to be some PR about the OPEB well before Town meeting so that voters know about the situation & it does not come as a surprise.

John P. Noted that the report for the OPEB liability had inflation at 10% where in fact it was 3%.

Bart noted the hour & asked what should be done in the last 20 minutes Bart suggested Tax to the Max & polled those at the table.

Steve M. wanted \$2m in reserve use not \$1.5—(tax to the max)

Pat the FC is OK with \$2.5 increase but not with recapturing the \$293k—we can recapture at a later time.

JP The schools have no position on OPEB so it could be \$0---but we do have uses for the additional capacity

JM: the plan with current expenses is \$2.4m in the hole. Because we budgeted for less in local aid than came in we expect \$5-\$800k of untaxed capacity

Xuan: for the past three years we have kept the budgets at level service. We have used the reserves based on the FC's recommendations. There are structural deficiencies that need to be addressed. I know how much it will cost but for the sake of the kid's education, we need to spend the money. OPEB has been accumulating for many years---trying to offset the costs by cutting current services---I am not sure that this is the best use of the tax money. Use other revenue sources such as an override to fund OPEB should be considered as well.

Doug: I agree with the sentiment ---every year we don't fund retirement from the money for current use we are just putting the costs on the future kid. The number is so big because year after year we've failed to fund it in the past.

Bart: are we going to need extra meetings? ---there was no agreement

Xuan: AB study committee wants to put a place holder on the warrant to get the sense of the Town Meeting about regionalizing the elementary schools. ---that was agreed

John M: Good news—Acton has been on Moody's watch list for a possible down grade. Yesterday they came back with the AAA rating.

Bart: Next meeting Jan 12 at 5 PM

There was unhappiness from the audience that for the second time, there was not a public comment period.

Bart apologized but said time ran out.

Ann Chang